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PIERCE PROPOSED AMENDMENT # 1

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DATE PREPARED: December 12, 2011

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COMPANY: Southwest Gas Corporation

DOCKET NOS: G-01551A-10-0458

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

OPEN MEETING DATES: December 13 & 14, 2011

AGENDA ITEM: U-9

Page 38, Line 16

DELETE Page 38 Line 16 through page 41, line 7 up to "Agreement," and INSERT:

"132. We find that adoption of either option in the Settlement Agreement is not in the public interest at this time. While we have previously approved a decoupling policy statement, we recognize that decoupling has to be considered in the context of each rate case and only then can a determination be made as to whether decoupling is an appropriate option in that particular case.

"133. In this case, the public's opposition to decoupling has been overwhelming, indicating insufficient outreach by the settling parties to the public and to policymakers explaining how decoupling works. As a Commission, we are committed to enabling Southwest Gas to fully recover its fixed costs, but in light of the tremendous amount of opposition from the public and policymakers, we do not believe now is the time to institute decoupling. Hundreds if not thousands of ratepayers have filed letters in the docket and/or appeared at public meeting expressing their opposition to decoupling in this case. It is clear that the public overwhelmingly does not support decoupling in this case. We expected the parties to do a better job of public outreach than what we have witnessed to date.

"134. Alternatively, we find the position that RUCO advocates in the Exceptions it filed on December 7, 2011 to be very reasonable. RUCO proposes that the Commission adopt the same revenue requirement, cost of capital and fair value methodology that was adopted in Option B of the Settlement Agreement. Moreover, RUCO proposes that the Commission increase the fixed monthly customer charge from \$10.70 to \$11.85 as a step towards helping Southwest Gas recover its revenue requirement despite declining usage. We recognize that RUCO's proposed increase to the customer charge does not fully remedy Southwest Gas' problems of declining usage. However, we believe it is a step in the right direction, and that by adopting RUCO's proposal, Southwest Gas will have an opportunity to redouble its efforts of public outreach and gaining public support for a rate design that will enable it to fully recover its fixed costs.

"135. Accordingly, we adopt RUCO's proposed rate design and,"

Arizona Corporation Commission

DOCKETED

DEC 13 2011

DOCKETED BY

DELETE page 41, line 15 through page 42, lines 7

DELETE page 42, line 17 and insert, "Adoption of the Settlement Agreement, as discussed herein, is not in the public interest."

DELETE page 42 Line 21 - 25, "IT ISTHEREFORE ORDERED that the Settlement Agreement, as discussed herein, is not in the public interest, and that adoption of RUCO's recommended position, as discussed herein, is in the public interest.

IT IS FURTHER ORDERED that Southwest Gas Corporation is hereby directed to file with the Commission, on or before December 31, 2011, revised schedules of rates and charges consistent with the findings herein."

DELETE Page 43, line 4 through line 21,

INSERT IT IS FURTHER OREDERED that Southwest Gas Corporation shall implement and comply with the terms of the Order as set forth herein, including filing all reports, studies and plans as set forth herein.

DELETE page 44, lines 9-14

DELETE page 44, lines 25-27

DELETE page 45, lines 7-11

DELETE page 46, lines 1-2

Make all conforming changes.